

POSTAL SERVICE BUDGETARY TREATMENT  
ACT OF 1988

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R E P O R T

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

TO ACCOMPANY

S. 2449

TOGETHER WITH

MINORITY VIEWS

TO AMEND TITLE 39, UNITED STATES CODE, WITH RESPECT TO  
THE BUDGETARY TREATMENT OF THE POSTAL SERVICE, AND  
FOR OTHER PURPOSES



JULY 26, 1988.—Ordered to be printed

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## POSTAL SERVICE BUDGETARY TREATMENT ACT OF 1988

JULY 26, 1988.—Ordered to be printed

Mr. GLENN, from the Committee on Governmental Affairs,  
submitted the following

### REPORT

together with

### MINORITY VIEWS

[To accompany S. 2449]

The Committee on Governmental Affairs, to which was referred the bill (S. 2449) to amend title 39, United States Code, with respect to the budgetary treatment of the Postal Service Fund, having considered the same, report favorably thereon and recommend that the bill do pass.

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### I. PURPOSE

The purpose of the bill is to provide that transactions of the Postal Service shall not be included within the President's Budget or the congressional budget and shall not be counted in calculating the Federal deficit, thereby moving the Postal Service "off budget."

## II. BACKGROUND

At issue is whether political considerations associated with attempts to reduce the Federal deficit should be a major determinant in establishing the policies or driving the operations of the United States Postal Service.

### A. BUDGETARY TREATMENT OF THE POSTAL SERVICE FUND ACCOUNT SINCE POSTAL REORGANIZATION

When the newly established United States Postal Service began operating on July 1, 1971, the Postal Service Fund account was "on budget." The Postal Reorganization Act of 1970 requires the Postal Service to submit an annual postal budget to the Office of Management and Budget (OMB), but it does not address treatment of postal budget matters in the President's Budget (see 39 U.S.C. 2009). The Postal Service Fund remained on budget through fiscal year 1973.

In 1973, following discussion between postal and Office of Management and Budget (OMB) officials, there was agreement that only appropriations to the Postal Service should be included in the President's Budget. The Budget for fiscal year 1974 explained: "Budget treatment of the Postal Service for 1974 reflects its independence from Federal control. Information on postal operations is shown in the Annexed Budget section of the Budget Appendix, and only the Federal payment to the Postal Service is now included in the budget totals." Thus, postal receipts (other than appropriations) and postal spending were not considered in calculating the Federal deficit.

In 1985, OMB included the Postal Service Fund in the Budget for fiscal year 1986, in effect bringing it back on budget by administrative action. The fiscal year 1986 Budget estimated Postal Service net income to be \$692 million in that fiscal year. OMB also proposed legislation repealing laws which expressly required certain other accounts to the off budget. Later that year, the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) (Gramm-Rudman-Hollings) amended section 3 of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 99-344) (Congressional Budget Act) to provide that accounts made off budget by law must still be included in the budget totals for deficit calculation purposes. Another provision amended the Congressional Budget Act to provide that all accounts (except social security) which were off budget at the time of enactment must be included in both the President's Budget and the congressional budget resolution (see, section 406(a) of the Congressional Budget Act). Since the Postal Service Fund account was already on budget as a result of OMB's earlier administrative action, this provision did not change budgetary treatment of the Fund.

### B. THE OMNIBUS BUDGET RECONCILIATION ACT OF 1987

The Omnibus Budget Reconciliation Act of 1987, the legislation which implemented the agreements reached in last year's "Budget Summit," imposed significant restrictions on Postal Service spending. Section 6003 of that Act requires the Postal Service to reduce operating expenses by \$160 million in fiscal year 1988 and \$270

million in fiscal year 1989. It further requires the Postal Service to pay into the Employees Health Benefits Fund an amount equal to the required operating expense reduction in each of the fiscal years involved.

Section 6002 of the Act established a statutory limit on Postal Service commitments under the Postal Service's capital investment program. For fiscal year 1988 commitments are limited to \$625 million; for fiscal year 1989, \$1.995 billion. By so limiting capital commitments, the authors of the Act intended to produce a reduction in Postal Service capital outlays of \$350 million in fiscal year 1988 and \$465 million in fiscal year 1989. In order to enforce these outlay savings, the Act further requires the Postal Service to pay \$350 million into the Civil Service Retirement and Disability Fund in fiscal year 1988. In fiscal year 1989, the Postal Service is required to pay \$465 million into the "Postal Service Escrow Fund" (established by the Act). Under the Act, moneys paid into the Postal Service Escrow Fund are to be returned to the Postal Service in fiscal year 1990.

The required reductions in Postal Service operations and capital expenditures by the 1987 Act were counted as reducing projected Federal deficits because the Postal Service Fund is "on budget." Under current law, income to the Fund and disbursements from the Fund are counted in determining the Federal deficit.

**C. THE POSTAL SERVICE DOES NOT CONTRIBUTE TO THE FEDERAL DEFICIT AND INCLUDING ITS TRANSACTIONS IN FEDERAL BUDGET TOTALS ACTUALLY DISTORTS THE DEFICIT PICTURE**

The Postal Reorganization Act (PRA) requires the Postal Service to operate in a businesslike manner on a break-even basis. This has been understood to require an accrual method of accounting as the basis for establishing rates and for financing capital investments. Over the 10-year period, fiscal year 1978 through fiscal year 1987, the Postal Service did break even. While in any given year the Postal Service could operate at a profit or a loss (depending on where the year falls in the rate cycle), over time postal income matches postal expenses and the operations of the Postal Service do not affect the overall Federal deficit.

Including postal operations in the Federal budget actually distorts the deficit picture because of the way the large postal capital investment program is represented in that budget. The distortion results from the fact that the Federal budget is calculated on a cash accounting basis. The Postal Service is included in the Appendix to the Budget for Fiscal Year 1989 on pages I-Z80 and I-Z81. Its Revenue and Expense statement shows estimated net income for fiscal year 1989 of \$523 million. In contrast, its Program and Financing statement—the cash accounting statement used in calculating the deficit—shows estimated net outlays of \$655 million. Thus, although the Postal Service expects to make a profit in fiscal year 1989, the Federal budget estimates its operations will add \$655 million to the Federal deficit.

### III. LEGISLATIVE HISTORY

On May 26, 1988, the Subcommittee on Federal Services, Post Office, and Civil Service held a hearing at which the Postmaster General, Mr. Anthony M. Frank, presented the "Annual Report of the Postmaster General for 1987." During the course of that hearing, there were a number of exchanges between the postal witnesses and Senators Pryor and Stevens concerning the impact of the Omnibus Reconciliation Act of 1987 and legislation pending in the House that would place the Postal Service in "off budget." On May 27, 1988, Senator Pryor was joined by Senators Stevens, Burdick, DeConcini, Karnes, D'Amato, Hecht, and Mitchell in introducing S. 2449, the Postal Service Budgetary Treatment Act of 1988. The bill was polled out of Subcommittee unanimously on June 20, 1988. At the time of its consideration by the full Committee, S. 2449 had fifty-nine cosponsors.

### IV. AGENCY VIEWS

The Committee notes the objections of the Office of Management and Budget to S. 2449, as presented in the following letter:

EXECUTIVE OFFICE OF THE PRESIDENT,  
OFFICE OF MANAGEMENT AND BUDGET,  
*Washington, DC, June 24, 1988.*

Hon. DAVID H. PRYOR,  
*Committee on Governmental Affairs,*  
*U.S. Senate, Washington, DC.*

DEAR SENATOR PRYOR: I understand that you will be marking-up S. 2449, a bill that would remove the U.S. Postal Service (USPS) from the Federal budget. This bill is similar to H.R. 4150, which previously passed the House. On May 11, 1988, I sent a letter to the Chairmen of the House Post Office and Civil Service and Government Operations Committees stating that the President's senior advisers would recommend veto of H.R. 4150 if it were presented to him in its present form.

I want to reaffirm the Administration's reasons for strongly opposing any efforts to take USPS off-budget, including S. 2449. First, the USPS is wholly-owned by the Federal government, and its revenues and expenses are Federal revenues and expenses. Omitting USPS activity from the budget would therefore misrepresent the full range of the Federal government's financial activity and the true extent of the deficit. Second, off-budget status for USPS would set a bad precedent for other agency revolving funds or Federal corporations financed by earmarked revenues and fees. These entities would seek similar status which, if granted, would further erode the integrity of the Federal budget.

Finally, taking USPS off-budget will not necessarily protect it from future budget cuts, as proponents of the change intend. In fact, it could increase Postal vulnerability by directly exposing the substantial Federal subsidies Postal now receives (for example, about \$2 billion per year for annuitant health and retirement benefits) to future budget cuts. Under current budget treatment, Postal payments to on-budget health and retirement funds would be fully offset by receipts to these funds. As a result, the deficit would not

be affected. However, with Postal "off-budget," the same payment would be treated as an off-budget outlay and an on-budget receipt with a net "on-budget" deficit reduction. Moreover, the Congress may also direct the Postal Service to finance these savings through productivity improvements rather than passing the higher costs on to Postal patrons through an increase in postage rates, just as it did last December in the 1987 Reconciliation Act.

This past spring, while debating the Congressional Budget Resolution, the Senate considered taking several programs off-budget, including the USPS. Ultimately, the Senate voted to delay any final decision until the National Economic Commission (NEC) had a chance to make recommendations on the appropriate budget treatment for these programs. I believe the decision to refer this broad and complex issue to the NEC was in the best interest of the government. I encourage you to reaffirm that decision and delay action on S. 2449 until the Commission completes its analysis.

I thank you for the opportunity to comment on this proposal.

Sincerely yours,

JAMES C. MILLER III,  
*Director.*

Identical letter sent to Hon. John Glenn, Hon. William V. Roth, Jr., Hon. Warren Rudman, and Hon. Ted Stevens.

The Postmaster General's views in support of S. 2449 are contained in the following letter:

THE POSTMASTER GENERAL,  
*Washington, DC, July 12, 1988.*

HON. JOHN GLENN,  
*Chairman, Committee on Governmental Affairs,  
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Postal Service strongly supports enactment of S. 2449, the proposed Postal Service Budgetary Treatment Act of 1988.

The bill provides that transactions of the Postal Service Fund would not be reported within the totals of the annual federal budgets prepared by the President and the Congress, would not be included under any general budget or deficit limitation or sequester imposed by law, and would not be counted in calculating the federal deficit. Subsection (b) would confirm that none of these provisions would diminish Congressional responsibilities for oversight of the Postal Service budget.

Restrictions imposed in last December's budget reconciliation law have sidetracked capital plant and equipment projects badly needed to meet growing service demands and control costs, and have led to emergency adjustments in postal operations which are not beneficial for the public. Restoration of budgetary independence for the postal system would help to prevent a repetition of these counter-productive budgetary restrictions in succeeding years.

Nearly 17 years ago, Congress replaced a deficit-ridden, resource-starved and increasingly antiquated postal operation. In its place, it created an independent, self-supporting organization responsible for raising its own capital and operating funds to serve the public's

mailing needs. This reorganization has made possible an ongoing infusion of the capital investment required for modernizing and maintaining the national postal system in a period characterized by rapid growth in the demand for postal services. Operating appropriations from taxpayer funds have been reduced and then terminated. Over the past decade the Postal Service has succeeded in matching income to expenses within about 0.2 percent above break even for the period.

Last December's budget restrictions have made it more difficult to continue the progress that must be achieved in order for the Postal Service to meet its responsibilities. Serious programs for improving productivity and restraining costs do not result from emergency mid-year quick-fix adjustments in operations or from meat-axe cuts from funds available for capital improvements to build a better future. As customer demand for postal services continues to grow in many parts of the country, unplanned cutbacks detract from real progress. They undermine public support and waste organizational attention on managing unproductive cutbacks to try to get through the next year and a half with the least possible damage. Elimination of 70 percent of this year's planned capital improvements and 50 percent over two years assurance that our customers and employees must continue to endure some of the most crowded and least favorable conditions and that projects which promised positive financial returns and improved productivity will be seriously delayed.

These sacrifices imposed on the national postal system do not help the Government to come to grips with real deficit problems. The postal budget reductions required last December will not serve to reduce the Government deficit over the long term. By law, savings made within the postal system belong to the postal ratepayers; they will always result eventually less revenues to the Government, thus offsetting any reduction in outlays claimed earlier as an improvement in the federal deficit.

There can be no mistaking the imperative for the Postal Service to achieve continual improvements in efficiency and control of costs, so that postage rates will be kept to the minimum reasonably required for the services provided. No one should be more cognizant of that fact or more determined to do what must be done than the Postal Service management and employees whose reputations and livelihood depend upon the continued good will and support of the mailing public.

S. 2449 is a vital and timely repair measure to mend recent damage to the sound fabric of postal reorganization. The bill seeks to restore to the Postal Service the room to do its job for the American people. We appreciate this legislative effort and urge that the bill be approved at the earliest opportunity.

Sincerely,

ANTHONY M. FRANK.

#### V. SECTION-BY-SECTION ANALYSIS

Section 1 of the bill provides that the Act may be cited as "the Postal Service Budgetary Treatment Act of 1988."

Section 2(a) of the bill amends title 39, United States Code, to add a new section 2009a, relating to the budgetary treatment of the Postal Service Fund (Fund). The Fund is a revolving fund established by law in the Treasury of the United States which is available to the Postal Service without fiscal year limitation to carry out its operations (39 U.S.C. 2003(a)).

Paragraph (1) of the new section provides that receipts and disbursements of the Postal Service Fund shall not be included in the totals of the budget of the United States Government as submitted by the President, or the congressional budget (including allocations of budget authority and outlays provided therein). It is the committee's intent that, by operation of this paragraph, receipts and disbursements of the Postal Service Fund will not be included in either aggregates or functional displays included in the respective budget documents. In addition, Postal Service Fund receipts and disbursements will not be reflected in allocations accompanying congressional budget resolutions required by sections 301 and 302 of the Congressional Budget and Impoundment Control Act of 1974, as amended, for any purpose, including scorekeeping and enforcement.

Paragraph (2) provides that receipts and disbursements of the Fund shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government. The committee recognizes the fact that section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings) presently exempts the Postal Service Fund from reduction under a sequestration order issued under the terms of that Act. It is the committee's intent, in paragraph (2), to state in broad terms that all receipts and disbursements of the Fund, including disbursements for administrative expenses incurred in connection with the Fund, shall be exempt from any general budget limitations imposed by or under authority of law, including Gramm-Rudman-Hollings.

Paragraph (3) provides that receipts and disbursements of the Postal Service Fund shall not be counted for purposes of calculating the deficit under section 3(6) of the Congressional Budget and Impoundment Control Act of 1974 for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985, not counted in calculating the excess deficit for purposes of sections 251 and 252 of Gramm-Rudman-Hollings for any fiscal year. Receipts and disbursements of the Fund would not be counted in calculations of the deficit included in the President's budget or the congressional budget nor would they be counted in sequestration "snapshots" under Gramm-Rudman-Hollings. Under the terms of paragraph (3), changes in the level of receipts and disbursements of the Fund would have no impact on Gramm-Rudman-Hollings deficit calculations.

Section 2(b) conforms the table of sections for chapter 20 of title 39, United States Code, by inserting a reference to new section 2009(a), Budgetary treatment of the Postal Service.

Section 2(c) of the bill provides that nothing in section 2(a) of the bill shall be considered to diminish the oversight responsibilities of the Congress under section 2401(g) of title 39, United States Code, or any other provision of law, rule, or regulation of the House or

Senate, with respect to the budget or operations of the Postal Service.

Section 2(d) of the bill provides that the amendments made by section 2 shall apply with respect to budgets for fiscal years beginning after September 30, 1989. Thus, upon enactment of the bill the Postal Service would be "off budget" for fiscal year 1990 and thereafter.

#### VI. REGULATORY IMPACT OF LEGISLATION

In accordance with section 11(b) of Rule XXVI of the Standing Rules of the Senate, the committee has determined that enactment of this legislation would not have a significant regulatory impact on the public.

#### VII. COST ESTIMATE OF THE LEGISLATION

The cost estimate prepared by the Congressional Budget Office pursuant to sections 308(a) and 403 of the Congressional Budget Act of 1974, as amended, is set forth below:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
Washington, DC, July 13, 1988.

HON. JOHN GLENN,  
*Chairman, Committee on Governmental Affairs,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 2449, the Postal Service Budgetary Treatment Act of 1988.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM,  
*Acting Director.*

#### CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 2449.
2. Bill title: Postal Service Budgetary Treatment Act of 1988.
3. Bill status: As ordered reported by the Senate Committee on Governmental Affairs, July 12, 1988.
4. Bill purpose: S. 2449 would exclude the receipts and disbursements of the Postal Service fund from the totals included in the budget submitted by the President, the Congressional budget, and the estimates used to calculate the deficit under the Balanced Budget and Emergency Deficit Control Act of 1985, beginning in fiscal year 1990. The bill would also exempt the Postal Service from sequestration.
5. Estimated cost to the Federal Government: Placing the Postal Service fund off-budget would change the mix between on-budget and off-budget spending. In years in which the Postal Service is operating at a surplus, this would have the effect of increasing the on-budget deficit; in years when disbursements by the Postal Service exceed receipts, the on-budget deficit would be reduced. The fol-

lowing table shows the amount of such changes, based on CBO's February baseline projections.

[By fiscal year, in billions of dollars]

|                                 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---------------------------------|------|------|------|------|------|
| On-budget:                      |      |      |      |      |      |
| Change in budget authority..... |      | -2.6 | -0.2 | -1.9 | -0.4 |
| Change in outlays.....          |      | -2.0 | 0.9  | -0.9 | 0.5  |
| Off-budget:                     |      |      |      |      |      |
| Change in budget authority..... |      | 2.6  | 0.2  | 1.9  | 0.4  |
| Change in outlays.....          |      | 2.0  | -0.9 | 0.9  | -0.5 |

The effects of this bill fall within budget function 370.

### *Basis of Estimate*

For purposes of this estimate, the CBO baseline has been used to show the effect of removing the Postal Service from the budget totals, as specified in S. 2449. The baseline for the Postal Service fund reflects operating costs, capital expenses, borrowing, income from investments, federal appropriations, and mail revenue. It also incorporates adjustments for two future rate increases.

Under current law, the operations of the Postal Service are exempt from sequestration, but its administrative expenses are considered sequestrable resources and are subject to across-the-board reductions. S. 2449 would exempt all Postal Service resources from sequestration, which would have the effect of increasing the sequestration percentage applied to other nondefense discretionary programs in order to reach the same deficit target.

S. 2449 would also exclude the Postal Service from the totals used to calculate the deficit for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985. (The Postal Service would be the only federal government activity so excluded.) In years when the Postal Service disbursements exceed receipts, the deficit in the budget base would be less than under current law, and the savings required by sequestration would be reduced. On the other hand, when Postal Service receipts exceed disbursements and net outlays are expected to be negative, excluding the Postal Service from the budget base would increase the savings required from sequestration, thus increasing the percentage applicable to other programs.

6. Financing mechanism: The Postal Service has authority to borrow up to \$10 billion for capital and operating purposes. Outstanding Postal debt is now about \$5.8 billion. The Postal Service has borrowed almost all of this amount from the Federal Financing Bank to fund its capital investment program, and we would expect this practice to continue. Under current scoring treatment, which we would not expect to change if the Postal Service were moved off-budget, the use of borrowing authority is reflected as budget authority when obligations are made, and as outlays when obligations are liquidated.

7. Estimated cost to State and local governments: None.

8. Estimate comparison: None.

9. Previous CBO estimate: On May 18, 1988, CBO prepared a cost estimate for H.R. 4150, as ordered reported by the House Committee on Post Office and Civil Service. That bill limits the authority of the Postal Service to borrow to \$3 billion in any one year and establishes an overall ceiling on total borrowing of \$30 billion. On June 17, 1988, we provided the House committee on Government Operations with a cost estimate for H.R. 4150, as ordered reported on June 9, 1988. Both versions of H.R. 4150 have identical language regarding budget treatment of the Postal Service. The version ordered reported by the House Committee on Government Operations allows unlimited borrowing authority, as in the introduced bill.

10. Estimate prepared by: Mary Maginniss.

11. Estimate approved by: C. G. Nuckols (for James L. Blum, Assistant Director, for Budget Analysis).

### VIII. CHANGES IN EXISTING LAW

In compliance with section 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, S. 2449 as reported, are shown as follows (new matter printed in italic, existing law in which no change is proposed is shown in roman):

## TITLE 39, UNITED STATES CODE

\* \* \* \* \*

### PART III—MODERNIZATION AND FISCAL ADMINISTRATION

| Chapter                                    | Sec. |
|--------------------------------------------|------|
| 20. Finance .....                          | 2001 |
| 22. Convict Labor .....                    | 2201 |
| 24. Appropriations and Annual Report ..... | 2401 |
| 26. Debts and Collection.....              | 2601 |

### CHAPTER 20.—FINANCE

| Sec.                                                                  |
|-----------------------------------------------------------------------|
| 2001. Definitions.                                                    |
| 2002. Capital of the Postal Service.                                  |
| 2003. The Postal Service Fund.                                        |
| 2004. Transitional appropriations.                                    |
| 2005. Obligations.                                                    |
| 2006. Relationship between the Treasury and the Postal Service.       |
| 2007. Public debt character of the obligations of the Postal Service. |
| 2008. Audit and expenditures.                                         |
| 2009. Annual budget.                                                  |
| <i>2009a. Budgetary treatment of the Postal Service Fund.</i>         |
| 2010. Restrictions on agreements.                                     |

\* \* \* \* \*

#### *§ 2009a. Budgetary treatment of the Postal Service*

*(a) Notwithstanding any other provision of law, the receipts and disbursements of the Postal Service Fund—*

*(1) shall not be included in the totals of—*

*“(A) the budget of the United States Government as submitted by the President; or*

*“(B) the congressional budget, including allocations of budget authority and outlays provided therein;*

*(2) shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government; and*

*(3) shall not be included for purposes of calculating—*

*“(A) the deficit under section 3(6) of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622(6)) for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 et seq.); or*

*“(B) the excess deficit for purposes of sections 251 and 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 and 902) for any fiscal year.*

*(b) Notwithstanding any other provision of law, for purposes of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 621 et seq.) the United States Postal Service shall be an off-budget Federal entity as such entity is defined under section 3(8) of such Act (2 U.S.C. 622(8)).*

## IX. MINORITY VIEWS OF SENATOR WARREN B. RUDMAN

The legislation reported by the Committee would remove the United States Postal Service Fund from inclusion in the general budget of the federal government. I believe this action is not only bad fiscal policy, but will prove to be bad for the Postal Service as well.

As Article I, Section 8, clause 7 of the U.S. Constitution affirms, providing a postal service is an integral, core function of government. Congress has a responsibility to uphold this mandate, and I support efforts to this end.

Although, as a result of the Postal Reorganization Act of 1970, the Postal Service now operates as a government-owned corporation, its operations are inextricably linked with the federal government and actions of Congress. The Postal Service has a statutory monopoly on the delivery of first class mail. It provides some basic, non-postal government services such as distributing draft registration forms. Retirement and health benefits for postal workers are set by statute. Its operations and assets are exempt from taxes, including state and local taxes, because it is part of the federal government. Each of these, including the basic structure of the Service and the requirement that it break even, can be changed any time Congress decides to enact a law.

Maybe most significant in the context of this debate, the Postal Service maintains 40,000 post offices and six-day per week delivery because federal law requires these services to be provided to the public, not because they are necessary for the efficient movement of mail. Those congressionally-imposed requirements have an impact on federal spending and revenues, and therefore affect the economy and the American people. Spending is higher, and the American people pay for that higher spending every time they mail a letter or package.

In short, the Postal Service is an integral part of the government and statements about the fiscal shape of the government must reflect that fact. There are, however, a number of specific reasons to oppose this bill.

First and foremost, it is impossible to soundly manage federal fiscal policy while excluding major programs (such as the Postal Service, with 1987 revenues from all sources totalling \$31.5 billion) from budget consideration. In October, 1967, the President's Commission on Budget Concepts issued a report in support of the unified budget, stating "the budget should, as a general rule, be comprehensive of the full range of federal activities". In 1984, the House Rules Committee, in its "Report of the Task Force on the Budget Process", stated that "the financial activities of off-budget entities have the same impact on the economy as do the activities of federal agencies included on-budget . . . by bringing all programs on-budget, the task force bill increases budget accountability and in-

tegrity." In 1985, Congress explicitly reaffirmed the wisdom of the concept when, as part of the Balanced Budget and Emergency Deficit Control Act of 1985, it required that all federal revenues and all federal spending be taken into account in calculating the federal deficit.

These remarks are especially true for the Postal Service. The Postal Service is owned, supported, and overseen by the federal government. In 1987 the USPS received \$2 billion in taxpayer dollars, excluding payments for services such as the congressional frank and subsidized mail for nonprofit organizations. To simply remove this function from overall federal budget consideration while retaining government ownership would paint an inaccurate picture of this government's financial activity.

Second, providing off-budget status for the Postal Service would set a terrible precedent for a host of other federal programs which are financed in whole or part by earmarked taxes and user fees. Such programs include the aviation trust fund, the highway trust fund, and the Civil Service retirement system, to name a few. Proponents of these programs raise many of the same points raised by the postal off-budget advocates.

For example, it is argued that differences in accounting methods between the Postal Service and the Federal Government distort the deficit picture and thus merit the Service's exclusion from the unified federal budget. While it's use of accrual accounting makes sense in light of the need to establish rates and finance capital investments over time, it is certainly not unique in this regard. The Tennessee Valley Authority makes comparable capital outlays, but still translates its accounts to a cash basis to comply with the federal budgeting method. That an entity of the federal government has an internal need for accrual accounting does not obviate the economic importance of knowing the cash flow status of the entire government.

If Congress decides to take the Postal Service off-budget, we set the stage for whole-sale balkanization of the federal budget. In this regard, it is worth recounting what happened when the Senate considered the fiscal year 1989 budget resolution last April. An amendment was offered to express the sense of the Senate that Social Security should not be counted in calculating the federal deficit for Gramm-Rudman-Hollings purposes. That led to an amendment to take the Postal Service off-budget, another one to do the same for the airport and highway trust funds, and a fourth amendment for the federal retirement programs. Each one passed.

The Senate then reconsidered what it had done, wiped out the four amendments and voted to have the National Economic Commission (NEC) study the issue and report to Congress. The study will specifically address the status of the Postal Service. Having seen fit to order such a study just three months ago, it is premature for the Senate to legislate in this area.

Third, moving the Postal Service off-budget will, in my view, ultimately prove harmful to the Postal Service. In the short term, it could lead to a reduction in the substantial federal subsidy, about \$2 billion last year, to the Postal Service. If an entity wants to be off the federal budget, it should not need to rely on support from the federal budget.

However, it is the potential long term implications which should be of even greater concern to supporters of a strong postal system. Supporters of S. 2449 argue that the Postal Service should be separated from the federal budget because it is a self-supporting corporation, uses corporate accounting, and must be able to operate like a private business without regard to political considerations. However, the next step in that chain of logic is that the Postal Service should compete like a private business. That means repealing its monopoly on first class mail, possibly repealing its tax-exempt status, and opening it to competition with private corporations on a fair basis. In their misguided attempt to enact the fiction that the Postal Service is not part of the government and should be removed from the budget, this bill's supporters are advocating a giant step toward the elimination of postal delivery in its current form.

It is clear that this effort to move the USPS off-budget was sparked by the congressional decision to achieve some deficit reduction through the Postal Service Fund to comply with the November, 1987 budget summit agreement. Whatever the merits of that action, it is fantasy to conclude that moving the Service off-budget would somehow insulate it from future budget cuts. In 1981, Congress took the Strategic Petroleum Reserve off-budget to immunize it from deficit reduction cuts, yet spending for the Reserve was subsequently cut away. It is important to remember that the summit agreement was a reaction to a serious strain on this country's economy and an effort to forestall more serious dislocations. Off-budget status hardly matters in such crucial considerations, nor would it matter in the unlikely event we had a repeat of such a situation. (In any event, a recession would hurt postal workers and the Postal Service also.) Conversely, if the Postal Service was faced with a fiscal crisis of its own, I daresay it would not let off-budget status impede its calling upon the U.S. government for some sort of bailout.

Having said all this, I believe there is much we in Congress can and should do to enhance the efficiency, productivity, and overall integrity of postal delivery, and I am committed to this effort. This bill, however, would not contribute to the effort, but rather would impede it. Accordingly, I urge the rejection of this legislation.

WARREN B. RUDMAN.

